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FISCAL IMPACT STATEMENT

LS 7397

BILL NUMBER: SB 327

NOTE PREPARED: Feb 28, 2003

BILL AMENDED: Feb 27, 2003

SUBJECT: Environmental Assistance Authority.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Environmental Assistance Authority to administer the Wastewater Revolving Loan Program, the Drinking Water Revolving Loan Program, and the Supplemental Drinking Water and Wastewater Assistance Fund and Program. The bill transfers powers and duties of the agencies that currently administer those programs to the Authority. It provides that bonds or obligations issued by the Authority before January 1, 2006, must be sold to the Indiana Bond Bank. This bill also adds the Authority to the list of qualified entities that may enter into financing arrangements with the Indiana Bond Bank. The bill also requires the Authority to enter into memoranda of understanding with the Indiana Department of Environmental Management regarding periodic inspections of project design and construction. It also expands the definition of "participant" for purposes of the Wastewater Revolving Loan Fund and Program to include entities permitted by law to enter into contractual arrangements for a purpose eligible for assistance under the federal Clean Water Act (in addition to political subdivisions). The bill makes conforming changes. It repeals provisions concerning certain duties with respect to the administration of the programs and funds that are transferred to the Authority.

Effective Date: February 1, 2005; April 1, 2005; January 1, 2006.

Explanation of State Expenditures: This bill establishes the Indiana Environmental Assistance Authority, a separate body corporate and politic, constituting an instrumentality of the state, but not a state agency. The purpose of the authority is to administer the Wastewater Revolving Loan Fund and Program, the Drinking Water Revolving Loan Fund and Program (SRFs), and the Supplemental Drinking Water and Wastewater Assistance Fund and Program (Supplemental Fund). The authority will also establish the interest rate for the loans. An executive director will be appointed to approve salaries and expenses of the Authority.

A board composed of the Governor, the Treasurer, the Budget Director, the Commissioner of the Department of Environmental Management (IDEM), and five directors appointed by the Governor governs the authority. The five directors are not entitled to per diem but are entitled to reimbursement for traveling expenses and expenses incurred in connection with duties performed for the board. Each director must execute a surety bond which will be paid for by the authority. Board members may also participate in the meeting using a means of communication that does not require the member to be physically present, which should cut down on traveling expenses. Board expenses are expected to be less than \$1,000.

The Authority must administer, hold, and manage the Wastewater Revolving Loan Fund, the Drinking Water Revolving Loan Fund, and the Supplemental Drinking Water and Wastewater Assistance Fund. Money in the funds may be used to provide loans or other financial assistance to political subdivisions, as is current law, and to other participants, which expands the entities eligible for loans. The Authority may contract with the Department of Environmental Management, the Budget Agency, or any other entity or person for assistance in administering the programs and the funds.

The Authority may employ fiscal consultants; engineers; general counsel; special counsel; accountants; and any other consultants, employees, and agents. The Authority may fix and pay the compensation of persons employed from money available in the funds or available for the programs.

On April 1, 2005, all powers, duties, agreements, liabilities, records, money, and other property of the Treasurer of State, the Department of Environmental Management, and the Budget Agency with respect to the loan funds are transferred to the Indiana Environmental Assistance Authority.

The SRFs and the Supplemental Fund are currently administered jointly by the Budget Agency and IDEM with IDEM responsible for the nonfinancial aspects of the programs and the Budget Agency responsible for the financial aspects. The SRF programs provide low interest loans to political subdivisions for wastewater projects and political subdivisions and private and non-profit entities for drinking water projects.

For FY 2002, wastewater and drinking water SRF loans totaled \$336 M. From 1992 through 2002, 242 loan have been issued from this fund for a total of \$1,088,563,617. The application process is conducted on an annual basis. For FY 2003, the project priority lists contains 56 wastewater projects at \$464 M with 49 drinking water projects at \$114 M. As of November 2002, capacity (funds available for future need) for wastewater was approximately \$300 M with \$86 M for drinking water. The state is able to leverage \$2 for every \$1 received from the federal Environmental Protection Agency. The state has received approximately \$33 M from the federal government for wastewater loans, allowing the state to leverage \$66 M.

The state also receives from the federal government a grant of approximately \$9.5 M for drinking water loans.

This federal grant is able to generate about \$19 M for drinking water loans.

The state does not appropriate any state dollars to match the federal grants.

The Supplemental Fund is used to make grants and loans. The majority are grants. Prior to 1995, Build Indiana Funds were used to fund projects. In 1995, \$28.2 M was appropriated to the fund. In 1999, \$40 M was appropriated to the fund. Interest rates for loans ranged from 0% to 4%.

Four budget analysts at the State Budget Agency administer the State Revolving Loan Funds and the Supplemental Fund. Three analysts are paid through the Indiana Transportation Finance Authority. The

fourth analyst serves as a consultant under contract. Costs for the four analysts equal about \$160,000 per year. Approximately 10 staff administer the SRF program for IDEM.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Providing that the funds may be used by private entities for additional projects and providing additional uses of the funds could affect revenue available for projects currently allowed political subdivisions.

State Agencies Affected: Treasurer of State, Department of Environmental Management, Legislative Services Agency, Budget Agency, and the State Board of Finance.

Local Agencies Affected: Political subdivisions.

Information Sources: Rich Emery, State Budget Agency and State Revolving Loan Program.

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